Government of Saskatchewan

Strategic Plan 2004 - 2007

Saskatchewan Financial Services Commission

Saskatchewan

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Overview

The Saskatchewan Financial Services Commission (SFSC) was established on February 1, 2003 through the amalgamation of the Saskatchewan Securities Commission, the Financial Institutions Section of the Consumer Protection Branch and the Pension Benefits Branch.

SFSC is Saskatchewan's primary regulator of the financial services industry, including the credit union system, insurance, pensions, real estate financial transactions, securities, and trust and loans. Regulatory responsibilities include providing input into developing provincial legislation, regulations, policies and standards (the rules); interpreting and applying the rules; and, taking appropriate action to protect the rights and interests of consumers of financial services when the rules are broken.

Similar to other financial services regulators, the ongoing operations of SFSC encompass a broad range of regulatory functions, including:

- **Licensing and Registration.** Financial institutions, pension plans and financial intermediaries require approval to conduct business. SFSC requires applicants to provide enough information to allow assessment of whether the applicant is suitable to conduct business in the chosen field.

- **Audit and Compliance**. On an ongoing basis, SFSC monitors those regulated to verify they have the capability and conduct themselves appropriately to meet their obligations to consumers. SFSC also requires those regulated to provide appropriate information to consumers.

- **Market Conduct and Complaint Handling.** SFSC ensures there are effective processes in place to receive and investigate complaints. Complaints are reviewed and appropriate information is collected to determine whether there are violations of rules. Complaints may trigger enforcement activities.

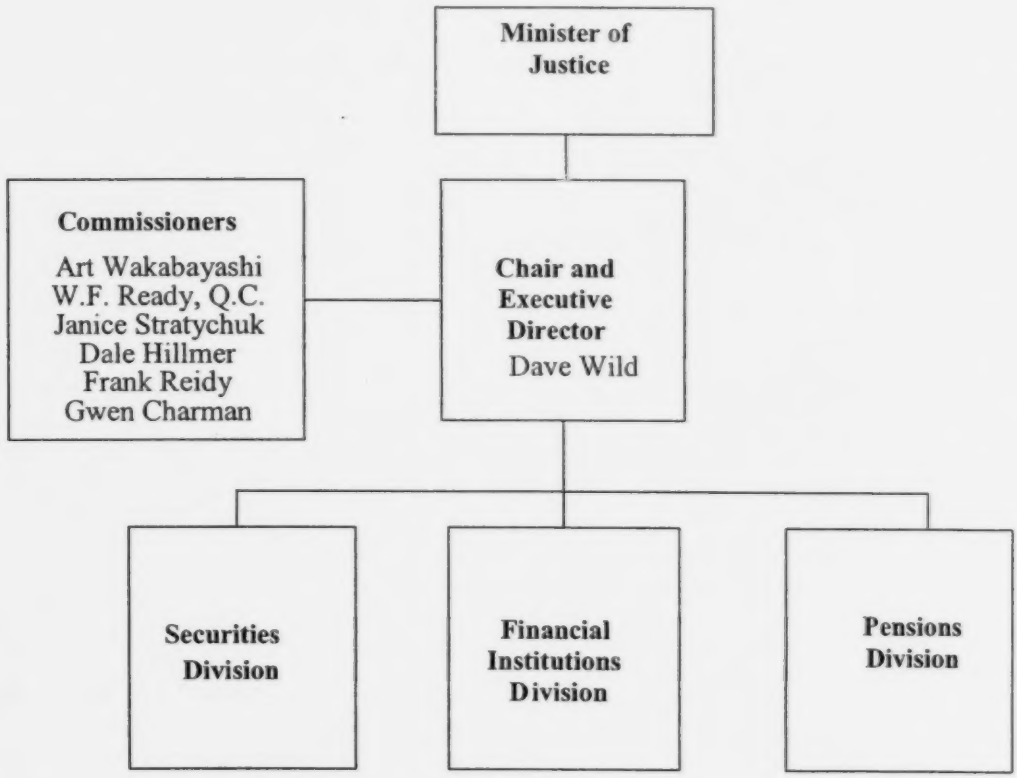
- **Enforcement**. SFSC exercises its influence and its legislative powers to hold to account those who have violated the rules.

SFSC's regulatory functions include both prudential and market conduct regulation. Prudential regulation addresses the financial soundness of those regulated, while market conduct regulation refers to supervising compliance related to consumer protection provisions including disclosure, confidentiality, fair practices and prohibited methods of doing business.

In fulfilling its mandate, SFSC relies upon the following self regulatory organizations (SRO's):

- Credit Union Deposit Guarantee Corporation
- General Insurance Council of Saskatchewan
- Hail Insurance Council of Saskatchewan
- Life Insurance Council of Saskatchewan
- Investment Dealers Association of Canada
- Mutual Fund Dealers Association of Canada

SFSC's organization is illustrated in the following chart:



The seven-person Commission has the following mandate[1]:

1. Co-ordinate financial services regulators;
2. Provide for the development of policies to protect the interests of consumers of financial services;
3. Provide for the development of policies to regulate financial services and any persons who, or associations or groups of persons that, provide financial services; and

[1] Section 9 of The Saskatchewan Financial Services Commission Act

4. Perform any responsibilities of a financial services regulator pursuant to any financial services legislation that are assigned to the commission by the regulations.

The purpose of this document is to communicate SFSC's strategic plan to stakeholders. SFSC's plan is supported by more detailed plans developed by each of its three divisions. The primary responsibilities of each division of SFSC include:

1. The **Securities Division** protects investors by regulating the sale of securities, without undue restriction, to ensure that:

   - Those who sell securities to investors are honest and competent.
   - Investors are provided with selling documents which contain truthful, complete and understandable information on which to base their investment decisions.
   - Buyers and sellers have equal access to information about companies whose shares trade in secondary markets.
   - Those who take undue advantage of investors are held to account.

2. The **Financial Institutions Division** regulates and supervises Saskatchewan credit unions; trust, loan and finance companies; insurance companies; and loan and mortgage brokers. The Division protects the public interest and enhances public confidence by encouraging sound and ethical business practices for insurers and financial institutions duly authorized to operate in Saskatchewan.

3. The legislation administered by the **Pensions Division** protects employees' pensions. Standards are established with respect to the structure and administration of pension plans, as well as, to the investment and ongoing funding of plans.

Vision

SFSC's vision is to cultivate an environment in which everyone in Saskatchewan has confidence in and can enjoy the benefits from the vibrant financial marketplace.

Mission

SFSC strengthens Saskatchewan's financial marketplace and protects consumers by regulating providers of financial products and services in an effective, efficient and balanced manner.

Regulatory Principles

SFSC is committed to:

1. **Competency**. Other regulators and stakeholders rely on SFSC because it has staff with the skills, knowledge and attitude required to deliver its commitments.
2. **Consultation**. SFSC consults those who may be affected by a proposed regulatory change.
3. **Transparency**. SFSC seeks to develop understandable rules that are complete and easy to access, and, when appropriate, to provide explanations and communicate its decisions.
4. **Proportionate Regulation.** When developing and applying rules, SFSC considers the cost of compliance and the intended results. Regulatory actions are proportionate to the risk posed and contribute to sound business practices within the financial services sector.
5. **Flexibility and Discretion**. Recognizing there are many possible regulatory solutions, SFSC exercises its discretion to achieve the most practical and affordable solutions that achieve the intended objective without compromising consumer protection.
6. **Cooperation.** SFSC works with regulators in other jurisdictions and self regulatory organizations to achieve regulatory efficiency and effectiveness.
7. **Harmonization**. SFSC seeks to harmonize rules and systems across sectors and jurisdictions to the greatest extent possible. SFSC will make exceptions when justified by the unique situation in Saskatchewan.
8. **Accountability**. SFSC holds those being regulated responsible and accountable for complying with the rules. SFSC is accountable to the government and to the public for applying the spirit and substance of the regulatory regime.
9. **Accessibility.** SFSC is approachable by consumers and those it regulates.

SFSC is committed to fulfilling its regulatory responsibilities. However, SFSC recognizes that not every problem requires a regulatory solution; and therefore, SFSC is also committed to being a strategic solutions provider who considers a wide range of alternative actions such as supplying expertise and advice and providing forums for industry/consumer dialogue.

Values

The actions of SFSC's personnel are guided by the following commitments:

1. **Openness**. We share information and listen openly. We encourage understanding of and involvement in decision making.
2. **Respect**. We treat everyone fairly and with dignity, respect and compassion.
3. **Professionalism**. We exhibit a positive, courteous, conscientious, and businesslike manner in the workplace. We take personal responsibility for achieving the goals of SFSC.
4. **Fairness**. We are impartial and unbiased in our decision making.
5. **Decisiveness**. We make clear, timely and responsible decisions.
6. **Creativity**. We encourage innovation and continuous improvement of our business processes and service provision.
7. **Initiative**. We empower our staff and encourage them to question the status quo.
8. **Service**. We provide quality and timely service by listening to, understanding and addressing the needs of our customers, clients and employees. We provide our people with the training and tools they need to do their jobs.
9. **Work/life balance**. We recognize and accommodate our employees' needs to balance their responsibilities and interests outside of work with meeting the increasing demands of the workplace.
10. **Collaboration**. We work together internally and with those we regulate to deliver the best possible solution.

The Regulatory Environment

The financial services sector plays a critical role in a market economy, providing the means of channelling savings into various investment opportunities and driving economic growth. It provides the capital necessary for the growth of existing businesses and the start-up capital needed for new businesses. Governments also use the financial services sector to finance new debt issues and support programs and services. The sector also provides the means for Canadians to carry out their everyday financial transactions, including chequing, savings and wealth management, and to insure against risk and unexpected events. The financial services sector can be seen as the "engine" of a market economy, meeting the financial needs of businesses, governments and individuals[2].

[2] Department of Finance website, Dec. 11, 2003

The financial services sector is a significant contributor to Saskatchewan's economic growth, representing approximately eight per cent of Saskatchewan's gross domestic product and accounting for approximately eight percent of Saskatchewan wages.[3]

The financial services sector has changed significantly over the past decade. One of the most visible changes is the further breakdown of the four "pillars" of the financial services sector (banks, trust companies, insurers and securities dealers). Conglomerates have emerged and now offer a wide variety of financial products and services. At the same time, there has been the emergence of "monoline" companies focusing on one or a few business lines. As well, advances in electronic communications have given Saskatchewan consumers access to the global financial services market.

The federal and provincial governments share jurisdiction over the financial services sector. The federal government:

- Has sole jurisdiction for banks for both prudential and market conduct;
- Regulates the financial soundness of federally incorporated life and health insurers and subsidiaries of foreign insurers;
- Regulates the financial soundness of federally incorporated property and casualty insurers;
- Regulates the financial soundness of federally incorporated trust and loan companies;
- Regulates credit union centrals; and
- Regulates pension plans of certain industries of federal concern such as banking, broadcasting and interprovincial transportation.

Saskatchewan, through SFSC:

- Has sole jurisdiction for the underwriting, distribution and sale of securities;
- Regulates the market conduct of federally and provincially incorporated life and property and casualty insurers;
- Oversees the General, Life and Hail Insurance Councils of Saskatchewan;
- Regulates the market conduct and financial soundness of provincially incorporated trust, loan and financing companies;
- Ensures that the credit unions' system regulator, Credit Union Deposit Guarantee Corporation, regulates credit unions; and
- Regulates most pension plans.

There is also significant industry self-regulation within Saskatchewan by the Investment Dealers Association of Canada, the Mutual Fund Dealers Association of Canada, Credit Union Deposit Guarantee Corporation, and the three insurance councils.

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[3] Economic Review 2002, Saskatchewan Bureau of Statistics. Note that real estate is included in this definition of financial services.

A number of federal and provincial initiatives are focused on co-ordinating and harmonizing financial services regulation. Regulators work together through organizations such as the Joint Forum of Financial Market Regulators, the Canadian Association of Pension Supervisory Authorities, the Canadian Council of Insurance Regulators, and the Canadian Securities Administrators. Some specific examples of co-ordination include:

- The securities regulators are working towards simplifying and harmonizing rules across Canada;
- The pension regulators are implementing regulatory principles based on a model pension law; and
- Quebec has restructured its financial regulators into one integrated agency.

One of Saskatchewan's responses to the changing environment was the establishment of an integrated financial market regulator, SFSC which:

- Creates a single point of access for consumers and the financial services industry;
- Strengthens Saskatchewan's voice at the national policy making level;
- Improves Saskatchewan's ability to address overlaps and gaps in the regulatory system; and
- Contributes to operational effectiveness.

Strategic Issues

In developing its strategic priorities, SFSC identified three key strategic issues:

1. **Complexity of the Financial Services Marketplace**. The complex nature of many financial products and services, the changing business models of providers and the number of regulatory agencies make the financial services marketplace difficult to fully understand. SFSC believes it needs to ensure consumers have access to adequate information to make informed decisions; providers of financial services experience a level playing field; and regulators do not unduly add to the complexity.

2. **Relative Size of SFSC.** SFSC has the same regulatory responsibilities as other provinces despite its relatively limited resources. Consequently, SFSC is a strong proponent of seeking creative solutions to effectively use its limited resources and of working with other regulators to leverage resources and to avoid duplicating efforts.

3. **Pressure to Decrease Regulatory Costs.** Canadian regulators understand that while regulation is necessary, it also adds to the cost of doing business. Over the past decade, there have been significant advancements in the financial service industry due to changes in technology, consumer needs, and business models. SFSC is committed to working with other regulators to identify and either change or eliminate ineffective regulatory requirements and to reduce costs while maintaining appropriate levels of control.

Goals, Objectives and Actions

SFSC's four strategic goals are briefly described as follows.

1. **A fair and effective financial regulatory system for Saskatchewan.** Changes in the financial marketplace contribute to the need for continuous regulatory changes. By increasing harmonization with other Canadian jurisdictions, updating Saskatchewan's legislation and related rules, and working effectively with the self regulatory organizations, SFSC will maintain and enhance the quality of its regulation.

2. **Public confidence in SFSC and the Saskatchewan financial marketplace**. The financial services industry depends on public confidence. SFSC is reviewing aspects of its compliance and enforcement programs to ensure it has the capability to discipline those who break the rules. As well, SFSC is reviewing its approach to stakeholder communications and consumer education in order to facilitate appropriate public understanding of the financial services market and the role of the SFSC.

3. **Regulatory consistency between sectors and for "like" products and services**. Traditionally banks, trust and loan, insurance and securities had separate regulators who created unique rules for each sector. The emergence of financial conglomerates and the overlap of products and distributions channels increase the potential for regulatory inconsistencies or gaps. SFSC is building increased cross-sectoral understanding and cooperation through participation in national initiatives and through SFSC's new organizational structure and governance.

4. **Maximized results with limited resources**. As a government agency, SFSC is accountable to the public for the resources it uses. SFSC is committed to continuous improvement of its operational efficiency.

Objectives and actions related to these four goals are included in the following tables. The fiscal year (March 31) of expected completion for each action is indicated by a checkmark.

Goal 1: Fair and Effective Financial Regulatory System for Saskatchewan			
Objective 1: Increased Harmonization of Rules With Other Canadian Jurisdictions			
	2005	**2006**	**2007[4]**
1. Adopt uniform securities laws			
- Continuous disclosure requirements	✓		
- Long form prospectus requirements	✓		
- Registration requirements	✓		
- Registration and prospectus exemptions	✓		
- Take-over bid rules		✓	
- Integrated disclosure		✓	
- Uniform Securities Act		✓	
2. Adopt harmonized pension legislation			
- Consult on principles of model pension law	✓		
- Draft legislation based on model pension law principles		✓	
- Amend pension legislation based on the model law			✓
Objective 2: Up-to-Date Saskatchewan Rules			
1. Update insurance legislation			
- Provisions related to capital requirements and solvency testing		✓	
- Provisions related to compensation plans		✓	
- Market conduct provisions and investment rules			✓
2. Update trust and loan legislation – regulations regarding reporting requirements for finance companies; and, requirements for deposit insurance for non-deposit taking trust companies	✓		
3. Assess approach to regulating persons selling insurance products incidental to their major lines of business			✓
4. Implement pension plan governance and self-assessment program	✓		
Objective 3: Effective Self Regulatory Organizations			
1. Revise and approve bylaw amendments for the General, Life & Hail Insurance Councils	✓		
2. Review delegation order for General, Life & Hail Insurance Councils			✓
3. Develop delegation order for CUDGC		✓	
4. Review role of the Securities Division in oversight of the Investment Dealers Association and Mutual Fund Dealers Association	✓		
5. Review the process of hearing appeals of decisions of the General, Life and Hail Insurance Councils		✓	

[4] Timing refers to the fiscal year when the project is expected to be completed

Goal 2 – Confidence in SFSC and the Saskatchewan Financial Marketplace			
Objective 1: Effective Compliance Programs			
	2005	**2006**	**2007**
1. Implement a compliance review program for firms registered under securities law that are not members of a self regulatory organization	✓		
2. Implement a continuous disclosure review program for publicly traded companies	✓		
3. Implement a compliance review program for pension plan administrators	✓		
4. Assess compliance review programs for insurance and trust and loan companies		✓	
5. Implement rules to bolster investor confidence including CEO certification of filings, composition of audit committees, auditor oversight and corporate governance disclosure	✓		
Objective 2 –Enforcement Effectiveness			
1. Implement legislative or regulatory responses to address consumer issues related to alternate credit organizations such as payday lenders	✓		
2. Update SFSC's enforcement strategy, tools, processes and communications, including a review of the compliance programs conducted by the Investment Dealers Association and the Mutual Fund Dealers Association; and, an assessment of whether to provide SFSC with restitution powers for securities	✓		
Objective 3 – Effective and Efficient Consumer Education			
1. Assess strategy for educating consumers including the feasibility of delivery of a program by SFSC	✓		
Objective 4 – Public Awareness of SFSC			
1. Improve tools and techniques used to report SFSC's accountability to the government and other stakeholders	✓		
2. Develop contingency plans for dealing with any significant failure in the financial marketplace		✓	

Goal 3: Regulatory Consistency between Industry Sectors and for "Like" Products and Services			
Objective 1: Effective Participation in Initiatives of the Joint Forum of Financial Market Regulators			
	2005	2006	2007
1. Review issues surrounding financial intermediary licensing including competency, the regulation of advice and harmonizing dual licensing (securities and insurance)			✓
2. Harmonize the regulation of mutual funds and individual variable insurance contracts	✓		
3. Clarify information sharing between the Canadian Financial Services OmbudsNetwork and SFSC; and, continue to monitor the development of standards for the ombudservices		✓	
4. Develop a practice standard that defines a code of conduct that could apply to all financial services intermediaries in their distribution of financial products and services	✓		
5. Implement guidelines for capital accumulation plans for pensions, securities, and financial institutions	✓		
Objective 2: Reduction in Regulatory Gaps and Inconsistencies Resulting from Differences in Business Models or Legislation			
1. Update regulation of deposit agents	✓		
2. Review regulation of mortgage brokers	✓		
3. Review the rules applied to the raising of capital by credit unions, co-operatives and new generation co-operatives		✓	
Objective 3: Effective SFSC Governance			
1. Document the governance policies and practices for SFSC	✓		
2. Implement the Saskatchewan government's framework for the protection of personal information filed with SFSC		✓	

Goal 4: Maximized Results with Limited Resources			
Objective 1: Increased Operational Efficiency			
	2005	**2006**	**2007**
1. Assess the procedures, policies and resources engaged in the collection, recording and deposit of revenue by SFSC		✓	
2. Develop a business continuity plan for SFSC	✓		
3. Develop and implement an enhanced learning and development program for staff of SFSC		✓	
Objective 2: Reduction in Work that is Duplicated in Other Jurisdictions			
1. Implement a mutual recognition and reliance system for registrations under *The Securities Act, 1988*	✓		
2. Implement a passport system as directed by the ministers responsible for securities regulation		✓	
3. Develop memorandum of understanding with the Office of the Superintendent of Financial Institutions and with insurers for the sharing of electronic filings of financial information from non-Saskatchewan insurers by SFSC	✓		

Performance Management

SFSC believes its strategic success should be measured based on a variety of perspectives. The following are areas for which SFSC will develop and report performance measures:

STAKEHOLDER	LEARNING/INNOVATION
- Customer confidence in the financial marketplace - Client perception of regulatory fairness	- Level of continuous learning and development - Staff satisfaction with work
OPERATIONAL/INTERNAL	**FINANCIAL**
- Projects completed on time and on budget - Day to day activities completed within service standards - Level of preparedness to deal with market misconduct or solvency issues	- Actual expenses compared to budget - Operational costs - Cost comparison to other jurisdictions

Goals, Objectives and Performance Measures

Where Do We Want to Be?

VISION

Cultivate an environment in which everyone in Saskatchewan has confidence in and can enjoy the benefits from the vibrant financial marketplace.

MISSION

SFSC strengthens Saskatchewan's financial marketplace and protects consumers by regulating providers of financial products and services in an effective, efficient and balanced manner.

How Do We Operate?

REGULATORY PRINCIPLES

Competency, Consultation, Transparency, Proportionate regulation, Flexibility and Discretion, Cooperation, Harmonization, Accountability, Accessibility

VALUES

Openness, Respect, Professionalism, Fairness, Decisiveness, Creativity, Initiative, Service, Work/life balance, Collaboration

How Do We Get There?

GOALS, OBJECTIVES AND ACTION PLANS

Fair and effective financial regulatory system for Saskatchewan
Confidence in SFSC and the Saskatchewan financial marketplace
Regulatory consistency between sectors and for "like" products and services
Maximized results with limited resources

How Do We Measure Our Progress?

PERFORMANCE MEASURES

- Customer confidence in the financial marketplace
- Client perception of regulatory fairness
- Level of continuous learning and development
- Staff satisfaction with work
- Projects completed on time and on budget
- Day to day activities completed within service standards
- Level of preparedness to deal with market misconduct or solvency issues
- Actual expenses compared to budget
- Operating costs
- Cost comparison to other jurisdictions

Appendix 1 – Legislation

General

- *The Saskatchewan Financial Services Commission Act*
- *The Saskatchewan Financial Services Commission Assignment Regulations*

Financial Institutions

- *The Cost of Credit Disclosure Act*
- *The Credit Union Act, 1998*
- *The Credit Union Regulations, 1999*
- *The Credit Union Insurance Business Regulations*
- *The Credit Union Act, 1985*
- *The Credit Union Regulations*
- *The Mortgage Brokers Act*
- *The Mortgage Brokers Regulations*
- *The Real Estate Act*
- *The Real Estate Regulations*
- *The Saskatchewan Insurance Act*
- *The Saskatchewan Insurance Regulations*
- *The Saskatchewan Insurance Councils Regulations*
- *The Medical Services Incorporated Exemption Regulations*
- *The Saskatchewan Insurance Compensation Plan Regulations, 1990*
- *The Saskatchewan Insurance Exemption (Teachers' Federation) Regulations*
- *The Designated Provincial Insurers Investment Exemption Regulations*
- *Regulation No. 3 Governing Societies Undertaking Life Insurance Transacted on the Assessment System*
- *The Trust and Loan Corporations Act, 1997*
- *The Trust and Loan Corporations Regulations, 1999*

Pensions

- Consolidation of *The Pension Benefits Act, 1992*
- Consolidation of *The Pension Benefits Regulations, 1993*
- *The Pension Benefits Amendment Regulations, 2002*

Securities

- *The Securities Act, 1988*
- *The Securities Regulations*
- *The Securities Commission (Regulation Procedures) Regulations*
- *The Securities Commission (Disclosure of Personal Information) Regulations*